



**MAGNESIUM CORPORATION OF AMERICA**

238 North 2200 West - Salt Lake City, UT 84116-2921

801/532-2043 - 800/262-9624 - FACSIMILE 801/534-1407

---

m/045/022

December 4, 2001

HAND-DELIVERED

**RECEIVED**

DEC 04 2001

**DIVISION OF  
OIL, GAS AND MINING**

Ms. Mary Ann Wright  
Mr. Wayne Hedberg  
State of Utah, Department of Natural Resources  
Division of Oil, Gas and Mining  
1594 West North Temple, Suite 1210  
P.O. Box 145801  
Salt Lake City, Utah 84114-5801

RE: Second request for Increase in Reclamation Surety Amount for Knolls

Dear Ms. Wright and Mr. Hedberg:

This letter is written in response to the letter from Ms. Wright dated November 8, 2001. As you both are well aware, representatives from Magcorp have been working with you for sometime to work out an agreement regarding the continued use of the Knolls facility, including the possible reasonable increase of the existing reclamation bond. On at least two occasions Magcorp has complied with the Division's requests to evaluate the cost of a substitute reclamation bond, and Magcorp has provided detailed cost breakdowns of the agreed to reclamation. However, to date the BLM and the Division continue to assert that the originally agreed to scope of reclamation can be unilaterally modified, and the BLM and the Division continue to insist on the posting of a reclamation bond that Magcorp believes is excessive.

As I told Mr. Hedberg in our telephone conversation this morning, the purpose of this letter is to formally request a 60-day period in which to continue to discuss these issues with the Division, the BLM, and Magcorp's bankruptcy counsel, in an effort to reach agreement without resulting to an appeal to the Division Director or the Board. As you know, Magcorp has filed for protection under Chapter 11 of the United States Bankruptcy Code, and any attempt to force Magcorp to increase the current reclamation bond, or appeal your decision may be in violation of the automatic stay provision. In any event, any agreement to post an increased security will likely require bankruptcy court approval.

In the event, you are unwilling to grant the requested extension, so as to not waive any right to appeal your decision, please consider this formal notice that Magcorp intends to contest any attempt to increase the scope of the reclamation, or the amount of the bond, as originally agreed to in 1990. During the next 60 days it is hoped that an agreement can be reached. In the event you are unwilling to engage in further discussions, Magcorp hereby exercises its right to appeal your decision to the Division Director and the Board of Oil, Gas and Mining.

000869

I await your response. I will be out of the office December 5 thru December 11. In my absence, if you need to talk to someone about this matter please call Lee Brown at (801) 532-2043.

Sincerely,

A handwritten signature in black ink, appearing to read 'TJR', with a long horizontal flourish extending to the right.

Tony J. Rudman  
General Counsel  
Magnesium Corporation of America